

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|---------------------------------|---|------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Eastern Huron Ambulance Service Association | County Huron |
| Audit Date 12/31/04 | Opinion Date 11/11/05 | Date Accountant Report Submitted to State: | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|--|------------------------|-----------------------|---------------------|
| Certified Public Accountant (Firm Name) Brining & Nartker, P.C. | | | |
| Street Address 64 Westland Drive | City Bad Axe | State MI | ZIP 48413 |
| Accountant Signature <i>Brining & Nartker, P.C. by Douglas P. Brining</i> | | Date 5/5/06 | |

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
HARBOR BEACH, MICHIGAN**

**FINANCIAL REPORT
DECEMBER 31, 2004**

EASTERN HURON AMBULANCE SERVICE ASSOCIATION

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| INDEPENDENT AUDITORS' REPORT | |
| BASIC FINANCIAL STATEMENTS: | |
| Statement of Net Assets | 1 |
| Statement of Revenues, Expenses and Changes in Net Assets | 2 |
| Statement of Cash Flows | 3 |
| Notes to the Financial Statements | 4 – 6 |

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

STEVEN J. WATSON, CPA
JOY A KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eastern Huron Ambulance Service Association
Harbor Beach, Michigan

We have audited the accompanying financial statements of the business-type activities of the Eastern Huron Ambulance Service Association, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of Eastern Huron Ambulance Service Association. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Eastern Huron Ambulance Service Association. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of managements' discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of Eastern Huron Ambulance Service Association, as of December 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 5, the Association has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

Our audit was conducted for the purpose of forming an opinion on the business-type activities financial statements taken as a whole. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brining & Nartker, P.C.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 11, 2005

BASIC FINANCIAL STATEMENTS

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
DECEMBER 31, 2004**

ASSETS

CURRENT ASSETS:

| | |
|----------------------|-----------|
| Cash and investments | \$ 77,515 |
| Accounts receivable | 15,010 |

| | |
|-----------------------------|---------------|
| TOTAL CURRENT ASSETS | 92,525 |
|-----------------------------|---------------|

NONCURRENT ASSETS:

| | |
|--|---------|
| Capital assets - net of accumulated depreciation | 275,940 |
|--|---------|

| | |
|---------------------|----------------|
| TOTAL ASSETS | 368,465 |
|---------------------|----------------|

LIABILITIES

CURRENT LIABILITIES:

| | |
|------------------------------------|-------|
| Accounts payable | - |
| Accrued and withheld payroll taxes | 3,275 |

| | |
|----------------------------------|--------------|
| TOTAL CURRENT LIABILITIES | 3,275 |
|----------------------------------|--------------|

NET ASSETS:

| | |
|---|---------|
| Invested in capital assets, net of related debt | 275,940 |
| Unrestricted | 89,250 |

| | |
|-------------------------|-------------------|
| TOTAL NET ASSETS | \$ 365,190 |
|-------------------------|-------------------|

The accompanying notes are an integral part of the financial statements.

EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|--------------------------------------|--------------------------|
| OPERATING REVENUE: | |
| Charges for services | \$ 143,478 |
| TOTAL OPERATING REVENUE | <u>143,478</u> |
| OPERATING EXPENSES: | |
| Advertising | 985 |
| Depreciation | 42,559 |
| Education | 1,221 |
| Insurance | 28,344 |
| Licenses | 225 |
| Maintenance | 4,185 |
| Medical supplies | 1,334 |
| Miscellaneous | 718 |
| OSHA expenses | 824 |
| Office expenses | 3,289 |
| Payroll taxes | 6,513 |
| Professional fees | 1,935 |
| Repairs | 5,217 |
| Repayments | 987 |
| Utilities | 3,708 |
| Wages | 69,305 |
| Special purchases | 2,723 |
| Property taxes | 1,065 |
| TOTAL OPERATING EXPENSES | <u>175,137</u> |
| OPERATING INCOME (LOSS) | <u>(31,659)</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| Interest income | 1,614 |
| Intergovernmental grants | 11,143 |
| Miscellaneous revenue (expense) | (86) |
| TOTAL NONOPERATING REVENUE (EXPENSE) | <u>12,671</u> |
| CAPITAL CONTRIBUTIONS | 7,122 |
| CHANGE IN NET ASSETS | <u>(11,866)</u> |
| NET ASSETS - BEGINNING OF YEAR | 377,056 |
| NET ASSETS - END OF YEAR | <u><u>\$ 365,190</u></u> |

The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 140,773 |
| Cash payments for goods and services | (64,009) |
| Cash payments to employees | (69,305) |
| Nonoperating cash receipts | 11,057 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>18,516</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital contributed | 7,122 |
| Purchase of capital assets | (180,517) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(173,395)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest income | 1,614 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,614</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(153,265)</u> |
| CASH - BEGINNING OF YEAR | 230,780 |
| CASH - END OF YEAR | <u><u>\$ 77,515</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (31,659) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 42,559 |
| (Increase) decrease in accounts receivable | (2,705) |
| Increase (decrease) in accounts payable | (681) |
| Increase (decrease) in accrued and withheld payroll taxes | (55) |
| Nonoperating cash receipts | 11,057 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 18,516</u></u> |

The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ASSOCIATION OPERATIONS

The Association was formed pursuant to the terms of an interlocal agreement dated October 2, 1978. Its purpose is to provide ambulance service to the residents and property owners of constituent units, which include the City of Harbor Beach, the Villages of Port Hope and Forestville, and Bloomfield, Gore, Huron, Rubicon, Sand Beach, Sherman, the north half of Delaware, and the east half of Sigel Township.

The Association operates under an appointed Board consisting of one representative from each constituent unit. All representatives are appointed by their respective governing bodies by resolution and serve following appointment, until a successor is appointed. A Board member is eligible for reappointment at the expiration of his (or her) term of office, and must be a resident of the constituent unit which he (or she) represents.

REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Association.

BASIS OF PRESENTATION

The financial activities of the Association are recorded in a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services are financed through user charges.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. Total net assets is segregated into capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as intergovernmental grants and investment earnings, result from non-exchange transactions or ancillary activities.

The accrual basis of accounting is utilized by the Association. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

(Continued)

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ACCOUNTING ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost or, if contributed, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|--------------|-------------|
| Improvements | 20 years |
| Ambulances | 5 years |
| Equipment | 3 - 7 years |

NOTE 2 - CASH AND INVESTMENTS:

Deposits - The Associations' cash accounts consist of a checking account, an interest bearing savings account, and certificates of deposit. As of December 31, 2004, the carrying amount of the Association's deposits was \$66,720 and the bank balance was \$77,721. The bank balance was fully covered by Federal Depository Insurance and included \$40,924 in certificates of deposit.

Investments - State statutes authorize the Association to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks and mutual funds comprised of the above authorized investments. The Association has funds invested in Comerica Bank Municipal Investment Fund - a non-risk categorized investment - with a carrying value and market value of \$10,795 as of December 31, 2004.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 3 – CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

| | BALANCE JANUARY 1, <u>2004</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | BALANCE DECEMBER 31, <u>2004</u> |
|---|--------------------------------------|-------------------|-------------------|--|
| Capital assets, not being depreciated - | | | | |
| Land | \$ 44,954 | \$ 80,401 | \$ - | \$ 125,355 |
| Total capital assets, not being depreciated | <u>44,954</u> | <u>80,401</u> | <u>-</u> | <u>125,355</u> |
| Capital assets, being depreciated - | | | | |
| Improvements | 7,781 | - | - | 7,781 |
| Ambulances | 89,941 | 97,837 | - | 187,778 |
| Equipment | 135,267 | 2,279 | - | 137,546 |
| | <u>232,989</u> | <u>100,116</u> | <u>-</u> | <u>333,105</u> |
| Less - accumulated depreciation for - | | | | |
| Improvements | 1,297 | 389 | - | 1,686 |
| Ambulances | 29,980 | 34,295 | - | 64,275 |
| Equipment | 108,684 | 7,875 | - | 116,559 |
| | <u>139,961</u> | <u>42,559</u> | <u>-</u> | <u>182,520</u> |
| Total capital assets being depreciated, net | <u>93,028</u> | <u>57,557</u> | <u>-</u> | <u>150,585</u> |
| Business-type activity capital assets, net | <u>\$ 137,982</u> | <u>\$ 137,958</u> | <u>\$ -</u> | <u>\$ 275,940</u> |

NOTE 4 - CONTRIBUTIONS:

In the event it becomes necessary to finance all or any part of the operating expenses of the Association by contribution, any contribution made to the Association by the constituent units shall be on the basis of population which means that each constituent unit shall contribute a percentage equal to the percentage or proportion that the population of the constituent unit bears to the total population of all constituent units, population being based upon the latest Federal decennial census. Any action by the Association which would require such contribution to be binding upon each constituent unit must be authorized or later ratified by resolution of the governing body of that constituent unit. The failure of the governing body of any constituent unit to authorize or ratify its contribution to the Association shall operate as an immediate withdrawal of that constituent unit from the Association.

Contributions for the year ended December 31, 2004 amounted to \$7,543 and are included in nonoperating revenue as "intergovernmental grants".

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY:

For the year ended December 31, 2005, the Association implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. It creates new basic financial statements which now include financial statements prepared on an accrual basis of accounting. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements.

Comparative data has not been presented for the business-type activities, since their inclusion would make the statements unduly complex and difficult to read.

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

STEVEN J. WATSON, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

November 11, 2005

Board of Trustees
Eastern Huron Ambulance Service
Association
Harbor Beach, Michigan 48441

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Eastern Huron Ambulance Service Association, for the year ended December 31, 2004 and are submitted for your evaluation and consideration. We would like to emphasize that since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive. These comments have been previously mentioned but remain uncorrected.

CHECKS WRITTEN TO "CASH"

During the audit we noted various checks written to "cash". To provide more effective internal control over the loss of cash, we recommend that all checks be written to a specific payee.

UNLAWFUL EXPENSES

During 2004, we noted that Association funds were used for an annual donation to the Harbor Beach Hospital Foundation. This donation is not authorized by State statute and is an unlawful expense. We recommend that the Association refrain from incurring this type of expense.

RECONCILING CASH TO THE GENERAL LEDGER

Currently a monthly reconciliation of the checking account is being prepared. However, this balance is not reconciled to the general ledger. As a result, the general ledger included double postings of some transactions. Some transactions are not recorded at all, and some transactions are recorded incorrectly. In order to maintain a more accurate set of books, we recommend that the general ledger cash account balance be reconciled on a monthly basis.

These recommendations and comments are submitted to you for your consideration. Our firm will assist in implementing any recommendations approved by the Association Board. We wish to take this opportunity to thank the Association officials with whom we have worked for the cooperation we received throughout our audit.

Sincerely,

Brining & Nartker, P.C.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS